



March 7, 2013

VIA EMAIL
Mr. Alan B. Levin
Chairman
Diamond State Port Corporation
1 Hausel Road
Wilmington, Delaware 19801

Re: Port of Wilmington

Dear Mr. Levin:

I write to you today to let you know that while Kinder Morgan Energy Partners L.P. very much appreciates the diligent and sincere efforts by Governor Markell and the Diamond State Port Corporation under your leadership, we are suspending our efforts to secure a long-term lease arrangement with the Port of Wilmington. The reason for this decision, while regrettable, stems from our concern that the leadership of Local 1694-1, principally Julius Cephas, is antagonistic to the point of making a productive relationship with our future work force impossible.

By way of background, Kinder Morgan very much values its workforce and recognizes the need for a respectful and productive relationship with its employees throughout our facilities nationwide, whether union or non-union. That is why when we first came to Delaware, at the invitation of the Diamond State Port Corporation via BMO (an invitation that had the support of the International Longshoremen's Association), we presented a three-year deal with no reduction in the work force, *as a starting point for our negotiations*. We thought this was a significant good faith gesture, not offered to many in the workforce these days. However, Mr. Cephas has repeatedly refused to meet with us and instead publicly attacked our company for months in the press and with legislators -- apparently teaming up with at least one of the failed bidders to do so.

Last week, we finally had our first meeting with Mr. Cephas and while it was perfunctory in nature, my team was pleased the negotiations had at least begun. When we attempted to schedule a more substantive follow up meeting with Mr. Cephas, he declared his intent to bring legislators to the next meeting. Since these are labor negotiations and the legislature has already established a role for itself, my team did not support this request. Now, Mr. Cephas has declared that he will not meet with Kinder Morgan again until a transaction is finally approved by the Delaware General Assembly. Of course, several members of the General Assembly made it clear in January that they are not likely to approve any such transaction unless we can come to terms with Local 1694. This puts Kinder Morgan in an impossible situation.



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As you know, we are in the final stages of our due diligence and were working toward a final term sheet for presentation to the Board of Directors. Kinder Morgan was prepared to put forth a proposal for the capital that we would be required to invest. As a \$100 billion customer focused, capital and service provider, we are very interested in not only supporting the Port of Wilmington's current customers but also expanding its customer base by utilizing Kinder Morgan's wide network and marketing capability. This would very likely result in hundreds of new jobs, significantly more capital investment, with significant work being done by the local Building Trades and substantially increased competitiveness for the Port of Wilmington. However, none of this is realistic if the local workforce is not productive because a volatile union leader is not even willing to negotiate, let alone agree to a reasonable contract.

In closing, I want to reiterate that both you and Governor Markell have been very professional and diligent in trying to bring investment and jobs to the Port of Wilmington and our decision today is no way a reflection on those efforts or leadership. Simply put, we have choices in terms of where we will invest substantial resources and the current union leadership at your facility does not make Delaware a good choice at this time.

Very truly yours,

A handwritten signature in blue ink, appearing to read "John W. Schlosser".

John W. Schlosser
President

JWS/KYL